

AUDITED FINANCIAL STATEMENTS
TOWNSHIP OF LAKETON, MICHIGAN

March 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1988, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Laketon	County Muskegon
Audit Date 3-31-2005	Opinion Date 8-1-2005	Date Accountant Report Submitted to State: 8-16-2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

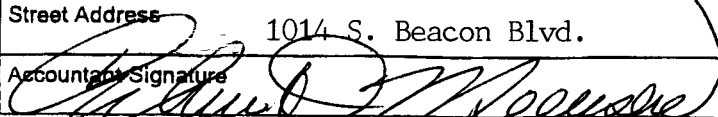
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1950).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Calvin Meeusen Company, C.P.A., PLLC				
Street Address 1014 S. Beacon Blvd.	City Grand Haven	State MI	ZIP 49417	
Accountant's Signature 				

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CALVIN MEEUSEN COMPANY, C.P.A., PLLC

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CERTIFIED PUBLIC ACCOUNTANT**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Township Board
Township of Laketon, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Laketon, Michigan as of and for the year ended March 31, 2005, which, collectively, comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Township as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township of Laketon has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, for the year ended March 31, 2005.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. My audit was conducted

for the purpose of forming opinions on the financial statements that collectively comprise the Township of Laketon basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Calvin Meeusen Company C.P.A. PLLC

Calvin Meeusen Company, C.P.A., PLLC
Grand Haven, Michigan
August 1, 2005

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2005

Using this Management's Discussion and Analysis

This annual report is intended to supplement the Township's financial statements for fiscal year ending March 31, 2005. The format of the financial statements has changed due to the implementation of GASB Statement 34 accounting. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's total net assets are \$8,322,812 as of March 31, 2005. Unrestricted net assets, which represents net assets that can be used to finance day to day operations, comprise 56.8% of that total. The current level of unrestricted net assets for our governmental activities stands at \$1,185,413 or about 106% of current year operating expenditures.

Government-Wide Financial Analysis:

The first table presented is a summary of the government-wide statement of net assets for the Township. The net assets may be used as an indicator of a government's financial health. As of March 31, 2005, the Township's net assets from governmental activities totaled \$1,737,116 (21%) and \$6,585,696 (79%) from business-type activities, creating a total government-wide net asset total of \$8,322,812. Since this is the first year the Township has prepared financial statements following GASB 34, comparisons to the prior fiscal year are not available.

In examining the composition of these net assets, the reader should note that governmental activities net assets are primarily invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

Table 1
Township of Laketon Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$1,214,379	\$3,546,203	\$4,760,582
Capital assets, net of accumulated depreciation	551,703	3,315,736	3,867,439
Total	1,766,082	6,861,939	8,628,021

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2005

Table 1- Township of Laketon Net Assets-continued

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Liabilities</u>			
Current	28,966	35,085	64,051
Noncurrent	-	241,158	241,158
Total	28,966	276,243	305,209
 <u>Net Assets</u>			
Capital Assets, Net of Debt	551,703	3,047,645	3,599,348
Unrestricted	1,185,413	3,538,051	4,723,464
Total net assets	\$ 1,737,116	\$6,585,696	\$8,322,812

The Township's net assets continue to remain healthy. The Township has enough unrestricted cash on hand at the end of the year to fund normal operating expenses in similar circumstances for over 12 months.

Governmental Activities

Governmental activities increased the Township's net assets by \$251,884, accounting for 52% of the total growth in net assets. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.

The Township's total revenues in the General Fund increased by approximately 44.6%, primarily due to an increase in property taxes.

The township had a large expenditure increase in the area of public safety. New contracts with the County and neighboring townships have and will continue to reflect dramatic increases in police and fire protection costs. The township was successful in passing a special millage to offset this increase. The increase in total township revenues is largely accounted for by this 2-mill Public Safety levy.

Business-Type Activities

The Township's business-type activities consist of the sewer and water funds. Revenues for business-type activities were \$342,250, a decrease of 1.3%. We provide sewage treatment to approximately 30% of township residents through the Muskegon County wastewater treatment plant. We provide water to approximately 15% of township residents which comes from the Muskegon County water system.

The increase in sewer and water business type activities is due largely to new housing development in the Township and increased usage as well as hook up fees.

At the end of the fiscal year, the net assets for business-type activities increased by \$232,705.

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2005

Business-Type Activities-Continued

Table 2
Township of Laketon, Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Revenues</u>			
Program			
Charges for Services	\$ 230,772	\$ 342,250	\$ 573,022
General			
Property taxes	528,453	106,068	634,521
State grants	510,428	-	510,428
Investment earnings	10,320	98,121	108,441
Other	<u>129,522</u>	<u>-</u>	<u>129,522</u>
Total	1,409,495	546,439	1,955,934
<u>Expenses</u>			
Legislative	8,016	-	8,016
General government	662,219	-	662,219
Public safety	216,654	-	216,654
Public works	198,752	-	198,752
Other	71,970	-	71,970
Sewer fund	-	268,750	268,750
Water fund	<u>-</u>	<u>44,984</u>	<u>44,984</u>
Total	<u>1,157,611</u>	<u>313,734</u>	<u>1,471,345</u>
Increase (Decrease) in Net Assets	251,884	232,705	484,589
Net Assets at April 1, 2004	<u>1,485,232</u>	<u>6,352,991</u>	<u>7,838,223</u>
Net Assets at March 31, 2005	<u><u>\$1,737,116</u></u>	<u><u>\$6,585,696</u></u>	<u><u>\$8,322,812</u></u>

The Township's Funds

An analysis of the Township's major funds begins on page 11 following the entity wide financial statements. The fund financial statements provide detailed information about the significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund, Building Department Fund, Sewage Disposal System Fund and the Water Supply System Fund.

The General Fund pays the Township's general operating expenditures, the most significant of which are General Government and Public Safety.

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2005

General Fund Budgetary Highlights

As in past years, the Township Board monitors the budget on a monthly basis. Over the course of the year, the Township Board amended the budget to take into account events during the year. Township expenditures overall stayed below budget, resulting in total expenditures of \$990,948, which was \$70,069 below budget. The General Fund's fund balance increased from \$740,685 a year ago to \$970,360 at March 31, 2005.

Capital Asset and Debt Administration

At March 31, 2005 the Township had \$3,867,439 (net of accumulated depreciation of \$4,677,291) invested in a broad range of capital assets including land, land improvements, sewer system, water system, buildings and machinery and equipment. We continue to make payments on the sewer bonds that were issued for wastewater collection and treatment system improvements in accordance with the Schedule of Indebtedness. All of the payments were paid on time.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for the next fiscal year projects property taxes to increase by approximately 3% due to increases in property values and newly assessed residential properties from housing developments. State revenue sharing allocations are a budgetary concern at this time. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state shared revenues may decrease. The amount of revenue sharing is uncertain at this time but is expected to approximate last year's amount. Salaries are a large expenditure of the funds and represented approximately 30% of this year's total budget.

The Township expects to construct an addition to the township hall building for additional office space and meeting room space. This will be financed using the existing surpluses in township funds that were set aside for the expansion over the past seven years.

The Township is expecting a state grant for expansion of its water supply system into an area that suffered environmental damage a number of years ago. Residential growth will also stimulate an expansion of the sewer system, however, these expansions are primarily paid for through connection charges.

The recent decision by a local paper mill to shut down a major portion of its operations in Muskegon will result in higher sewage treatment costs for the township residents. The treatment flow from the mill was over half of the daily community. The small savings in operation and maintenance cost of treatment (due to the reduced flow) does not offset the facility's high fixed costs.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and other interested parties with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (231) 744-2454.

Township of Laketon, Michigan

STATEMENT OF NET ASSETS

March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$1,051,710	\$1,963,854	\$3,015,564
Investments (approximate market value \$1,366,656)	-	1,392,734	1,392,734
Receivables			
Taxes	32,574	6,315	38,889
Accounts	-	108,183	108,183
Assessments	38,064	60,180	98,244
Investment interest	-	2,877	2,877
Due from fiduciary funds	13,057	-	13,057
Due from other governmental units	78,374	-	78,374
Internal balances (net)	(12,060)	12,060	-
Prepaid expenses	12,660	-	12,660
Capital assets, net	<u>551,703</u>	<u>3,315,736</u>	<u>3,867,439</u>
Total assets	<u>1,766,082</u>	<u>6,861,939</u>	<u>8,628,021</u>
LIABILITIES			
Accounts payable	16,880	6,589	23,469
Accrued liabilities	12,086	1,563	13,649
Non-current liabilities			
Bonds due within one year	-	26,933	26,933
Bonds due in more than one year	<u>-</u>	<u>241,158</u>	<u>241,158</u>
Total liabilities	<u>28,966</u>	<u>276,243</u>	<u>305,209</u>
NET ASSETS			
Invested in capital assets net of related debt	551,703	3,047,645	3,599,348
Unrestricted	<u>1,185,413</u>	<u>3,538,051</u>	<u>4,723,464</u>
Total Net Assets	<u>\$1,737,116</u>	<u>\$6,585,696</u>	<u>\$8,322,812</u>

The Notes to Financial Statements are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF ACTIVITIES

March 31, 2005

	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for services	Primary Government		Total
			Governmental activities	Business-type activities	
Primary Government					
Governmental activities					
Legislative	\$ 8,016	\$ -	\$ (8,016)	\$ -	\$ (8,016)
General government	662,219	99,840	(562,379)	-	(562,379)
Public safety	216,654	115,693	(100,961)	-	(100,961)
Public works	198,752	15,239	(183,513)	-	(183,513)
Recreation and cultural	<u>71,970</u>	<u>-</u>	<u>(71,970)</u>	<u>-</u>	<u>(71,970)</u>
Total governmental activities	1,157,611	230,772	(926,839)	-	(926,839)
Business-type activities					
Sewer	268,750	337,121	-	68,371	68,371
Water	<u>44,984</u>	<u>5,129</u>	<u>-</u>	<u>(39,855)</u>	<u>(39,855)</u>
Total business-type activities	<u>313,734</u>	<u>342,250</u>	<u>-</u>	<u>28,516</u>	<u>28,516</u>
Total primary government	<u>1,471,345</u>	<u>573,022</u>	<u>(926,839)</u>	<u>28,516</u>	<u>(898,323)</u>
General revenues					
Property taxes			528,453	106,068	634,521
State grants			510,428	-	510,428
Investment earnings			10,320	98,121	108,441
Other			<u>129,522</u>	<u>-</u>	<u>129,522</u>
Total general revenue and special items			<u>1,178,723</u>	<u>204,189</u>	<u>1,382,912</u>
Change in net assets			251,884	232,705	484,589
Net assets at April 1, 2004			<u>1,485,232</u>	<u>6,352,991</u>	<u>7,838,223</u>
Net assets at March 31, 2005			<u>\$1,737,116</u>	<u>\$6,585,696</u>	<u>\$8,322,812</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS

March 31, 2005

	General <u>Fund</u>	Building <u>Department</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash	\$ 824,110	\$ 227,600	\$1,051,710
Receivables			
Taxes	32,574	-	32,574
Assessments-current	3,028	-	3,028
Assessments-deferred	35,036	-	35,036
Prepaid expenses	12,660	-	12,660
Due from other funds	63,668	-	63,668
Due from other governmental units	<u>78,374</u>	<u>-</u>	<u>78,374</u>
Total Assets	<u>\$1,049,450</u>	<u>\$ 227,600</u>	<u>\$1,277,050</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 16,880	\$ -	\$ 16,880
Accrued liabilities	12,086	-	12,086
Due to other funds	12,060	50,611	62,671
Deferred revenue	<u>38,064</u>	<u>-</u>	<u>38,064</u>
Total Liabilities	<u>79,090</u>	<u>50,611</u>	<u>129,701</u>
Fund Equity:			
Fund balance			
Undesignated	<u>970,360</u>	<u>176,989</u>	<u>1,147,349</u>
Total Fund Equity	<u>970,360</u>	<u>176,989</u>	<u>1,147,349</u>
Total Liabilities and Fund Equity	<u>\$1,049,450</u>	<u>\$ 227,600</u>	<u>\$1,277,050</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2005

Total fund balance-governmental funds		\$1,147,349
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	\$1,170,768	
Accumulated depreciation	<u>(619,065)</u>	551,703
Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures.		<u>38,064</u>
Net assets of governmental activities in the Statement of Net Assets		<u>\$1,737,116</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended March 31, 2005

	General <u>Fund</u>	Building <u>Department</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 528,453	\$ -	\$ 528,453
Licenses and permits	2,503	-	2,503
State grants	510,428	-	510,428
Charges for services	99,840	113,190	213,030
Interest and rentals	8,862	1,458	10,320
Other revenue	<u>70,537</u>	<u>36,160</u>	<u>106,697</u>
TOTAL REVENUES	1,220,623	150,808	1,371,431
Expenditures			
Current:			
Legislative	8,016	-	8,016
General government	627,474	-	627,474
Public safety	214,610	-	214,610
Public works	68,878	125,786	194,664
Recreation and cultural	71,970	-	71,970
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>990,948</u>	<u>125,786</u>	<u>1,116,734</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	229,675	25,022	254,697
Fund balance - April 1	\$ <u>740,685</u>	<u>151,967</u>	<u>892,652</u>
Fund balance - March 31	\$ <u>970,360</u>	<u>\$176,989</u>	<u>\$1,147,349</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2005

Net change in fund balances-total governmental funds: \$254,697

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets as expenditures
in the Statement of Activities; these costs are depreciated over their
estimated useful lives.

Depreciation expense	\$ (40,877)	
Capital outlay	<u>-</u>	(40,877)

Special assessment revenues recorded in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.	<u>38,064</u>
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Change in net assets of governmental activities	<u>\$251,884</u>
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The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

March 31, 2005

ASSETS

	Enterprise Funds		
	Sewage Disposal System	Water Supply System	Total
Current Assets			
Cash	\$1,475,650	\$ 488,204	\$1,963,854
Investments (approximate market value \$1,366,656)	1,392,734	-	1,392,734
Receivables			
Property taxes	6,315	-	6,315
Assessments - Current	-	11,408	11,408
Accounts	73,913	34,270	108,183
Investment interest	2,877	-	2,877
Due from other funds	-	12,060	12,060
Total current assets	2,951,489	545,942	3,497,431
Non Current Assets			
Property, plant and equipment	6,612,893	576,539	7,189,432
Construction in progress	184,530	-	184,530
Less accumulated depreciation	(3,901,852)	(156,374)	(4,058,226)
Capital assets, net	2,895,571	420,165	3,315,736
Other assets			
Assessments receivable	-	48,772	48,772
Total Assets	\$5,847,060	\$1,014,879	\$6,861,939

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts payable	\$ 6,589	\$ -	\$ 6,589
Accrued interest	1,563	-	1,563
Bonds payable, due within one year	26,933	-	26,933
Total current liabilities	35,085	-	35,085
Non Current Liabilities			
Bonds payable, less amounts due in one year	241,158	-	241,158
Total non current liabilities	241,158	-	241,158
Net Assets			
Invested in capital assets, net of related debt	2,627,480	420,165	3,047,645
Unreserved	2,943,337	594,714	3,538,051
Total net assets	\$5,570,817	\$1,014,879	\$6,585,696

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year ended March 31, 2005

	Enterprise Funds		
	Sewage Disposal System	Water Supply System	Total
Operating revenues			
Charges for services	\$ 268,384	\$ 1,280	\$ 269,664
	<u>268,384</u>	<u>1,280</u>	<u>269,664</u>
Operating expenses			
Salaries and wages	13,053	13,053	26,106
Office supplies	1,626	430	2,056
Repairs and maintenance	114	4,020	4,134
Professional and contractual services	5,857	2,087	7,944
Depreciation	165,322	14,414	179,736
Usage charge	65,883	10,941	76,824
Miscellaneous	966	39	1,005
	<u>252,821</u>	<u>44,984</u>	<u>297,805</u>
Operating income (loss)	15,563	(43,704)	(28,141)
Non operating revenues (expenses)			
Property taxes	106,068	-	106,068
Connection fees	68,737	3,849	72,586
Interest revenue	85,489	12,632	98,121
Interest expense	(15,929)	-	(15,929)
Gain (loss) on sale of investments	-	-	-
Total non operating revenues	<u>244,365</u>	<u>16,481</u>	<u>260,846</u>
Change in net assets	259,928	(27,223)	232,705
Total net assets -April 1	<u>5,310,889</u>	<u>1,042,102</u>	<u>6,352,991</u>
Total net assets - March 31	<u>\$5,570,817</u>	<u>\$1,014,879</u>	<u>\$6,585,696</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended March 31, 2005

	Enterprise Funds		
	Sewage Disposal System	Water Supply System	Total
Cash flows from operating activities:			
Receipts from customers	\$ 269,131	\$ 17,974	\$ 287,105
Payments to suppliers	(73,694)	(48,784)	(122,478)
Payments to employees	<u>(13,053)</u>	<u>(13,053)</u>	<u>(26,106)</u>
Net cash provided by operating activities	182,384	(43,863)	138,521
Cash Flows From Noncapital Financing Activities			
Operating subsidies and transfers to other funds	-	-	-
Cash Flows From Capital and Related Financing Activities			
Connection fees	68,737	3,849	72,586
Proceeds from the sale of fixed assets	-	-	-
Purchases of capital assets	-	-	-
Principal and interest paid on capital debt	(195,981)	-	(195,981)
Other receipts	<u>108,513</u>	<u>-</u>	<u>108,513</u>
Net cash (used) by capital and related financing activities	(18,731)	3,849	(14,882)
Cash Flows From Investing Activities			
Net changes in investments	(68,466)	-	(68,466)
Investment earnings	<u>84,781</u>	<u>12,632</u>	<u>97,413</u>
Net cash provided by investing activities	<u>16,315</u>	<u>12,632</u>	<u>28,947</u>
Net increase in cash	179,968	(27,382)	152,586
Cash at April 1, 2004	<u>1,295,682</u>	<u>515,586</u>	<u>1,811,268</u>
Cash at March 31, 2005	<u>1,475,650</u>	<u>488,204</u>	<u>1,963,854</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities			
Operating Income (loss)	15,563	(43,704)	(28,141)
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation expense	165,322	14,414	179,736
Change in Assets and Liabilities:			
Receivables-net	747	(10,783)	(10,036)
Due from other funds	-	(12,060)	(12,060)
Prepaid expenses	-	12,060	12,060
Accounts and other payables	<u>752</u>	<u>(3,790)</u>	<u>(3,038)</u>
Net Cash Provided by Operating Activities	\$ <u>182,384</u>	\$ <u>(43,863)</u>	\$ <u>138,521</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

FIDUCIARY FUNDS - STATEMENT OF NET ASSETS

Year ended March 31, 2005

		<u>Agency Funds</u>	
		<u>Current Tax Collection</u>	<u>Trust and Agency</u>
ASSETS			
	Cash	\$ <u>12,445</u>	\$ <u>1,837</u>
LIABILITIES			
	Due to other funds	\$ 12,445	\$ 612
	Due to state	<u>-</u>	<u>1,225</u>
		\$ <u>12,445</u>	\$ <u>1,837</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Laketon have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's policies are described below.

Effective April 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at April 1, 2004	
governmental funds	\$ 892,652
Capital assets, net	<u>592,580</u>
Restated net assets at April 1, 2004	<u>\$1,485,232</u>

The beginning retained earnings in the Proprietary Funds restated for the effects of implementation of GASB Statement No. 34 are as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Retained earnings at April 1, 2004	\$3,838,540	\$ 625,339
Reclassification of Contributed Capital	<u>1,472,349</u>	<u>416,763</u>
Restated retained earnings at April 1, 2004	<u>\$5,310,889</u>	<u>\$1,042,102</u>

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

1. Reporting Entity

The Township of Laketon (Muskegon County) is a general law township which operates under an elected Township Board form of government and provides services to its residents in many areas including public safety, highways and streets, sanitation, parks and recreation, planning and zoning and general administrative services.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and user charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures (when applicable), expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state revenue sharing and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Department Fund accounts for the collection of building department permit fees in the Township.

The Township reports the following major proprietary funds:

The Sewage Disposal System Fund accounts for the activities of the sewage disposal system. The main source of revenue for the fund comes from user charges.

The Water Supply System Fund accounts for the activities of the water supply system. User charges are the operating revenues of the fund.

The Township reports the following fiduciary funds:

The Current Tax Collection Fund accounts for revenues received from tax payers and distributed to various entities including the county, township and school district per predetermined millages.

The Trust and Agency Fund accounts for the collection and disbursement of trailer tax in the Township.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments, if any. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and certificate of deposits. The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The Township considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

4. Assets, Liabilities, and Net Assets or Equity-Continued

b. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property and are levied as follows: Summer taxes on July 1 are payable through September 14; winter taxes on December 1, are payable through February 14. The Township bills and collects its own property taxes and also taxes for the local and intermediate school districts and the county. Collection of these taxes and remittance of them to the districts and the county are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized in the period for which they are levied. The Township is permitted by law to levy taxes up to 3.9 mills per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and no millage for the payment and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended March 31, 2005, was 3.5614 mills.

c. Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements, if any, are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following useful lives:

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

4. Assets, Liabilities, and Net Assets or Equity-Continued

<u>Assets</u>	<u>Years</u>
Land improvements	15-30
Buildings and improvements	15-55
Equipment	5-15

e. Compensated Absences

Township employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave do not accumulate past March 31 of each fiscal year. No portion of unused sick leave is paid to employees at the time of termination or retirement. It is the Township's policy to recognize the cost of sick leave at the time payments are made.

e. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

f. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about March 31, the Township Board submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget included proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. The Township Board is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the general public.
- e. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for the general fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Township Board as of March 31, 2005.

2. Risk Management

The Township of Laketon is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal Workmen's Compensation Fund for workmen's compensation claims and the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents). Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The local units in the State of Michigan established and created the above mentioned pools pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. These Pools are to provide for joint and cooperative action relative to Members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

NOTE C- DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are in several financial institutions and are carried at cost; the deposits are composed of interest bearing and non-interest bearing demand deposits and certificates of deposit.

As of March 31, 2005, the Township's carrying amount of deposits was \$3,029,846, and the bank balance was \$3,063,166. Of the bank balance, \$478,072 was covered by federal depository insurance, the remainder being uninsured. The balances include money held by Muskegon County.

2. Investments

Michigan Compiled Laws, Section 129.91, authorizes the township to deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Investments accumulated under an eligible deferred compensation plan may be placed, at the authorization of a governing body with a financial institution authorized to do business in this State, a State or Federally licensed investment company or insurance company authorized to do business in this State, or trust established by public employers for the investment of deferred compensation or retirement plans. Such funds shall be invested as directed by the governing body.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township has surplus funds invested with Merrill Lynch, Pierce, Fenner and Smith and in Municipal Investment Funds with National City Bank.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

NOTE C - DEPOSITS AND INVESTMENTS-CONTINUED

3. Summary

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$1,051,710	\$1,963,854	\$ 14,282	\$3,029,846
Investments	<u>-</u>	<u>1,392,734</u>	<u>-</u>	<u>1,392,734</u>
Total	<u>\$1,051,710</u>	<u>\$3,356,588</u>	<u>\$ 14,282</u>	<u>\$4,422,580</u>

The GASB Statement No. 3 risk disclosures for the Township's investments are as follows:

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government Investments	\$ <u>-</u>	\$ <u>-</u>	<u>\$1,392,734</u>	<u>\$1,392,734</u>	<u>\$1,366,656</u>

Township investments are categorized to give an indication of the level of risk assumed by the Township at March 31, 2005.

1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
2. Uninsured and Unregistered with Securities held by the Dealer's Trust Department or its agent in the Township's name.
3. Uninsured and Unregistered, with Securities held by the Dealer, or the Dealer's Trust Department or Agent but not in the Township's name.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Details of interfund receivables and payables at March 31, 2005, as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 63,668	Trust and Agency	\$ 612
		Building Dept.	50,611
		Tax Collection	12,445
	<u>63,668</u>		<u>63,668</u>
Water	12,060	General	12,060
	<u>\$ 75,728</u>		<u>\$ 75,728</u>

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

<u>Governmental Activities</u>	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 65,016	\$ -	\$ -	\$ 65,016
Total capital assets, not being depreciated	<u>65,016</u>	<u>-</u>	<u>-</u>	<u>65,016</u>
Capital assets, being depreciated:				
Land improvements	492,960	-	-	492,960
Buildings and improvements	358,496	-	-	358,496
Equipment	<u>254,296</u>	<u>-</u>	<u>-</u>	<u>254,296</u>
Total capital assets, being depreciated	1,105,752	-	-	1,105,752
Less accumulated depreciation for:				
Land improvements	247,777	20,150	-	267,927
Buildings and improvements	161,273	7,232	-	168,505
Equipment	<u>169,138</u>	<u>13,495</u>	<u>-</u>	<u>182,633</u>
Total accumulated depreciation	<u>578,188</u>	<u>40,877</u>	<u>-</u>	<u>619,065</u>
Total capital assets, being depreciated, net	<u>527,564</u>	<u>(40,877)</u>	<u>-</u>	<u>486,687</u>
Capital Assets, net	<u>592,580</u>	<u>(40,877)</u>	<u>-</u>	<u>551,703</u>

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

NOTE E-CAPITAL ASSETS-CONTINUED

	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in progress	<u>184,530</u>	<u>-</u>	<u>-</u>	<u>184,530</u>
Total capital assets, not being depreciated	<u>184,530</u>	<u>-</u>	<u>-</u>	<u>184,530</u>
Capital assets being depreciated:				
Sewage disposal system	<u>6,612,893</u>	<u>-</u>	<u>-</u>	<u>6,612,893</u>
Water supply system	<u>576,539</u>	<u>-</u>	<u>-</u>	<u>576,539</u>
Total capital assets, being depreciated	<u>7,189,432</u>	<u>-</u>	<u>-</u>	<u>7,189,432</u>
Less accumulated depreciation:				
Sewage disposal system	<u>3,736,530</u>	<u>165,322</u>	<u>-</u>	<u>3,901,852</u>
Water supply system	<u>141,960</u>	<u>14,414</u>	<u>-</u>	<u>156,374</u>
Total accumulated depreciation	<u>3,878,490</u>	<u>179,736</u>	<u>-</u>	<u>4,058,226</u>
Total capital assets, being depreciated, net	<u>3,310,942</u>	<u>(179,736)</u>	<u>-</u>	<u>3,131,206</u>
Capital assets, net	<u>3,495,472</u>	<u>(179,736)</u>	<u>-</u>	<u>3,315,736</u>
<u>Government activities:</u>				
Depreciation				
Depreciation expense was charged to functions as follows:				
General government				\$ 34,745
Public safety				2,044
Public works				<u>4,088</u>
				<u>\$ 40,877</u>
<u>Business-type activities:</u>				
Depreciation				
Depreciation expense was charged to functions as follows:				
Sewer				\$165,322
Water				<u>14,414</u>
				<u>\$179,736</u>

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

NOTE F - LONG TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2005:

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005	Due within one year
Business-type activities:					
Contracts payable	\$ 444,133	-	\$176,042	\$ 268,091	\$ 26,933
	<u>\$ 444,133</u>	<u>-</u>	<u>\$176,042</u>	<u>\$ 268,091</u>	<u>\$ 26,933</u>

The Township has a 1.0% interest in the total issue of the Wastewater Management System Revenue Bonds of \$17,000,000 due in annual installments of \$3,900 to \$8,500 through July 1, 2026, plus interest at 3.5% to 5.0% per annum

\$ 166,250

The Township has a 1.245% interest in the total issue of the Wastewater Improvement Refunding Bonds of \$13,750,000 due in annual installments of \$20,543 through July 1, 2005, plus interest at 5.7% per annum

20,543

The Township has a 1.245% interest in the total issue of the Wastewater Improvement Refunding Bonds of \$6,990,000 due in annual installments of \$2,490 to \$26,020 through July 1, 2008, plus interest at 2.25% to 5.0% per annum

81,298

\$ 268,091

The wastewater improvement bonds were issued for the acquisition, construction and financing of capital improvements to the existing wastewater management system.

The Township contracted with the County of Muskegon for the continued construction of a wastewater management system. Under terms of the contract, the County shall be the owner. To defray the cost of the system, the County issued bonds in the aggregate principal sum of \$17,000,000. The Township has a 1% interest totaling \$170,000. The Township will meet its contractual obligation for the principal and interest payments by rate charges to users of the system.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

NOTE F - LONG TERM DEBT - CONTINUED

Annual debt service requirements to maturity for debt outstanding at March 31, 2005 is as follows:

Year ending March 31, 2005	Business-type activities	
	Principal	Interest
2006	\$ 26,933	\$ 12,306
2007	28,219	11,566
2008	29,369	10,147
2009	30,570	8,677
2010	8,500	7,102
2011-2015	42,500	29,909
2016-2020	42,500	20,098
2021-2025	42,500	9,565
2026-2027	<u>17,000</u>	<u>851</u>
Total	\$ <u>268,091</u>	\$ <u>110,221</u>

NOTE G - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains two enterprise funds which provide sewer and water services for its residents. Segment information for the year ended March 31, 2005, was as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$ 268,384	\$ 1,280	\$ 269,664
Depreciation expense	165,322	14,414	179,736
Operating income (loss)	15,563	(43,704)	(28,141)
Change in net assets	259,928	(27,223)	232,705
Net working capital	2,916,404	545,942	3,462,346
Total assets	5,847,060	1,014,879	6,861,939
Long-term liabilities - payable			
from operating revenues	241,158	-	241,158
Total net assets	5,570,817	1,014,879	6,585,696

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2005

NOTE H - PENSION PLAN

The Township has a pension plan covering qualified employees in which the Township contributes all of the required contributions (money purchase plan) for the year. Total contributions by the Township for the year ended March 31, 2005, were \$71,088. All costs during the year associated with the plan were paid currently.

NOTE I - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been reported on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level. During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Total appropriations</u>	<u>Actual expenditures</u>	<u>Budget variance</u>
General fund			
Elections	\$ 12,500	\$ 17,507	\$ 5,007
Assessor	49,000	53,904	4,904
Treasurer	30,106	30,120	14
Cemetery	57,756	59,259	1,503
Fire Department	125,000	141,284	16,284
Street lights	29,500	31,704	2,204

REQUIRED SUPPLEMENTAL INFORMATION

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND

March 31, 2005

	<u>Budgeted Amounts</u>		Actual	Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 168,000	\$ 168,000	\$ 528,453	\$360,453
Licenses and permits	2,000	2,000	2,503	503
State grants	500,000	500,000	510,428	10,428
Charges for services	86,000	86,000	99,840	13,840
Interest and rentals	3,000	3,000	8,862	5,862
Other revenue	<u>28,750</u>	<u>28,750</u>	<u>70,537</u>	<u>41,787</u>
Total Revenues	787,750	787,750	1,220,623	432,873
EXPENDITURES				
Legislative				
Governing body				
Salaries and wages	<u>16,016</u>	<u>16,016</u>	<u>8,016</u>	<u>8,000</u>
Total Legislative	16,016	16,016	8,016	8,000
General government				
Supervisor				
Salaries and wages	46,332	46,332	46,332	-
Elections				
Salaries and wages	8,000	8,000	13,179	(5,179)
Office supplies	1,000	1,000	833	167
Education	500	500	-	500
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>3,495</u>	<u>(495)</u>
	12,500	12,500	17,507	(5,007)
Auditor				
Professional and contractual services	5,000	5,000	3,690	1,310
Engineering				
Professional and contractual services	2,500	2,500	-	2,500
Assessor				
Wages	25,000	25,000	17,123	7,877
Professional and contractual services	20,000	20,000	24,500	(4,500)
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>12,281</u>	<u>(8,281)</u>
	49,000	49,000	53,904	(4,904)
Attorney				
Professional and contractual services	22,000	22,000	17,400	4,600

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

March 31, 2005				Variance with final Budget - Favorable (Unfavorable)
Budgeted Amounts				
Original	Final	Actual		
General government-continued				
Clerk				
Salaries and wages	39,792	39,792	39,792	-
Board of Review				
Salaries and wages	600	600	-	600
Office supplies	100	100	398	(298)
Miscellaneous	500	500	475	25
	1,200	1,200	873	327
Treasurer				
Salaries and wages	30,106	30,106	30,120	(14)
Building and Grounds				
Salaries and wages	21,800	21,800	15,557	6,243
Supplies	15,000	15,000	11,730	3,270
Postage	3,500	3,500	4,880	(1,380)
Telephone	6,000	6,000	6,296	(296)
Insurance, bonds and pension	250,000	250,000	245,314	4,686
Public utilities	10,000	10,000	9,539	461
Repairs and maintenance	5,000	5,000	1,813	3,187
Advertising	1,000	1,000	1,841	(841)
Education	4,500	4,500	4,049	451
Unemployment	1,000	1,000	-	1,000
Transportation	3,000	3,000	1,813	1,187
Muskegon Area First	5,600	5,600	4,199	1,401
Miscellaneous	13,000	13,000	18,578	(5,578)
	339,400	339,400	325,609	13,791
Cemetery				
Salaries and wages	41,500	41,500	48,934	(7,434)
Administration	7,956	7,956	-	7,956
Telephone	600	600	509	91
Public utilities	1,200	1,200	1,091	109
Repairs and maintenance	4,500	4,500	4,495	5
Miscellaneous	2,000	2,000	4,230	(2,230)
	57,756	57,756	59,259	(1,503)
Service Building and Grounds				
Wages	28,000	28,000	25,826	2,174
Maintenance	3,000	3,000	4,604	(1,604)

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

March 31, 2005				Variance with final Budget -Favorable (Unfavorable)
		<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General government-continued				
Service Building and Grounds-continued				
Gas and oil	3,000	3,000	2,558	442
Utilities	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
	<u>34,100</u>	<u>34,100</u>	<u>32,988</u>	<u>1,112</u>
Total General Government	639,686	639,686	627,474	12,212
Public Safety				
Fire Department				
Professional and contractual services	125,000	125,000	141,284	(16,284)
Police Protection				
Professional and contractual services	<u>36,815</u>	<u>36,815</u>	<u>36,815</u>	<u>-</u>
	<u>36,815</u>	<u>36,815</u>	<u>36,815</u>	<u>-</u>
Planning Commission				
Salaries and wages	21,000	21,000	20,164	836
Office supplies	1,000	1,000	-	1,000
Professional services	6,000	6,000	8,970	(2,970)
Advertising	3,000	3,000	1,648	1,352
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>3,792</u>	<u>1,208</u>
	<u>36,000</u>	<u>36,000</u>	<u>34,574</u>	<u>1,426</u>
Appeal Board				
Salaries and wages	1,000	1,000	761	239
Advertising	1,500	1,500	923	577
Miscellaneous	<u>500</u>	<u>500</u>	<u>253</u>	<u>247</u>
	<u>3,000</u>	<u>3,000</u>	<u>1,937</u>	<u>1,063</u>
Total Public Safety	200,815	200,815	214,610	(13,795)
Public Works				
Drains				
Drain projects	4,000	4,000	2,400	1,600
Street lighting				
Public utilities	29,500	29,500	31,704	(2,204)

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

March 31, 2005				Variance with final Budget -Favorable (Unfavorable)
<u>Budgeted Amounts</u>				
<u>Original</u>	<u>Final</u>	<u>Actual</u>		
Public Works-continued				
Road construction				
Road projects	3,000	3,000	899	2,101
Street signs and posts	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
	3,500	3,500	899	2,601
Sanitation				
Wages	11,000	11,000	9,954	1,046
Landfill rental	<u>29,000</u>	<u>29,000</u>	<u>23,921</u>	<u>5,079</u>
	<u>40,000</u>	<u>40,000</u>	<u>33,875</u>	<u>6,125</u>
Total Public Works	77,000	77,000	68,878	8,122
Recreation and Cultural				
Parks				
Salaries and wages	35,000	35,000	31,561	3,439
Public utilities	7,000	7,000	4,825	2,175
Repairs and maintenance	8,000	8,000	5,088	2,912
Professional services	8,000	8,000	-	8,000
Recreation program				
Reeths Puffer	22,000	22,000	23,511	(1,511)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>3,485</u>	<u>2,515</u>
	86,000	86,000	68,470	17,530
Library				
Professional and contractual services	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total Recreation and Cultural	89,500	89,500	71,970	17,530
Capital Outlay				
General	<u>38,000</u>	<u>38,000</u>	<u>-</u>	<u>38,000</u>
TOTAL EXPENDITURES	<u>\$1,061,017</u>	<u>\$1,061,017</u>	<u>\$ 990,948</u>	<u>\$ 70,069</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

Budgetary Comparison Schedule
BUILDING DEPARTMENT FUND

Year ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 94,000	\$ 94,000	\$113,190	\$ 19,190
Interest revenue	800	800	1,458	658
Reimbursements	28,050	28,050	36,160	8,110
Other revenue	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
TOTAL REVENUES	122,900	122,900	150,808	27,908
Expenditures				
Salaries and wages	28,800	28,800	29,252	(452)
Contracted services	68,400	68,400	69,095	(695)
Office supplies	100	100	183	(83)
Administration	30,000	30,000	22,576	7,424
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>4,680</u>	<u>(2,680)</u>
TOTAL EXPENDITURES	129,300	129,300	125,786	3,514
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,400)	(6,400)	25,022	31,422
Fund balance - April 1	<u>151,967</u>	<u>151,967</u>	<u>151,967</u>	<u>-</u>
Fund balance - March 31	<u>\$ 145,567</u>	<u>\$ 145,567</u>	<u>\$ 176,989</u>	<u>\$ 31,422</u>

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF INDEBTEDNESS

		March 31, 2005							
Enterprise Fund		Date of	Amount of	Interest	Date of	March 31	March 31	Annual	
Contracts payable		<u>issue</u>	<u>issue</u>	<u>rate</u>	<u>maturity</u>	<u>2004</u>	<u>2005</u>	interest	
								payable	
Muskegon County Wastewater Management System -									
Number 1 (Laketon Township Extension) bonds	12-06-78	\$2,800,000	6.40	5/01/04	150,000	-	-		
					150,000	-	-		
1996 Refunding bonds	5-01-96	171,188	5.1	7/01/04	20,978	-	-		
			5.7	7/01/05	20,543	20,543	585		
					41,521	20,543	585		
Number 2 - Revenue Bonds - Series 2002	1-15-02	170,000	3.20	7/01/04	2,450	-	-		
			3.50	7/01/05	3,900	3,900	7,725		
			3.70	7/01/06	1,700	1,700	7,626		
			4.00	7/01/07	3,100	3,100	7,532		
			4.125	7/01/08	4,550	4,550	7,376		
			4.250	7/01/09	8,500	8,500	7,102		
			4.375	7/01/10	8,500	8,500	6,735		
			4.375	7/01/11	8,500	8,500	6,363		
			4.50	7/01/12	8,500	8,500	5,986		
			4.50	7/01/13	8,500	8,500	5,604		
			4.50	7/01/14	8,500	8,500	5,221		
			4.625	7/01/15	8,500	8,500	4,833		
			4.750	7/01/16	8,500	8,500	4,435		
			4.80	7/01/17	8,500	8,500	4,029		
			5.00	7/01/18	8,500	8,500	3,613		
			5.00	7/01/19	8,500	8,500	3,188		
			5.00	7/01/20	8,500	8,500	2,763		
			5.00	7/01/21	8,500	8,500	2,338		
			5.00	7/01/22	8,500	8,500	1,913		
			5.00	7/01/23	8,500	8,500	1,488		
			5.00	7/01/24	8,500	8,500	1,063		
			5.00	7/01/25	8,500	8,500	638		
			5.00	7/01/26	8,500	8,500	213		
					168,700	166,250	97,784		
2002 Refunding bonds	11-06-02	87,025	2.00	7/01/04	2,614	-	-		
			2.25	7/01/05	2,490	2,490	3,996		
			5.00	7/01/06	26,519	26,519	3,940		
			5.00	7/01/07	26,269	26,269	2,615		
			5.00	7/01/08	26,020	26,020	1,301		
					83,912	81,298	11,852		

\$ 444,133 \$ 268,091 \$ 10,221

CALVIN MEEUSEN COMPANY, C.P.A., PLLC

**CALVIN D. MEEUSEN
CERTIFIED PUBLIC ACCOUNTANT**

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(616) 395-8477

August 1, 2005

Members of the Township Board
Township of Laketon, Michigan

In connection with my examination of the financial statements of the Township of Laketon as of March 31, 2005, I have reviewed the accounting policies and procedures employed by the Township and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Township of Laketon, Michigan, for the year ended March 31, 2005, and have issued our report thereon dated August 1, 2005. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Township of Laketon, Michigan, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". For the purpose of this report, we have classified the significant internal accounting controls in the following categories: Cycles of the entity's Activity, Financial Statement Captions and Accounting Applications. Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Township of Laketon, Michigan, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Township taken as a whole. However, my study and evaluation disclosed that the internal controls are not adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Township may occur and not be detected within a timely period. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to reduce to an acceptable level the audit risk associated with this situation.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

A budget is required by the State Constitution, State Statutes and P. A. 621 of 1989 as amended, and is the only basis for spending. A local unit cannot overspend its adopted budget unless a change in the budget is approved by the Township Board. During the past fiscal year the Township overspent in several departments and underspent in other departments. In order to prevent this from happening in the future, I would suggest that financial statements be submitted to the Board at least quarterly, which would show departmentally the adopted budget, amount spent to date, and the unexpended balance in the account. Then, if it became apparent that a department needed additional funds, the Board could amend the budget to cover the anticipated deficiency. Any amendment to the adopted budget or any transfer of monies between funds should be authorized by resolution of the Board and recorded in the minutes.

The Township has experienced substantial growth over the past few years. As it continues to grow, consideration should be given to the hiring of a qualified full-time bookkeeper if necessary. In addition township management should designate and cross-train personnel who are capable of "backing up" the bookkeeper in the event of illness, vacation, or other extended absences. This would ensure that the accounting records are properly maintained and that the day-to-day paperwork is correctly processed on a timely basis.

Township personnel should obtain, on a periodic basis, information from Muskegon County concerning new bond issues, use of bond proceeds for construction and other costs, interest income on township monies and bond principal and interest payments deemed to be paid from water purchases and sewage treatment charges. This information should then be entered into the Township's accounting records.

The Township should consider using more financial institutions in order to maximize Federal Deposit Insurance Corporation (FDIC) coverage on their bank accounts. The Township had deposits of \$3,029,846 of which approximately \$2,551,774 was not covered by the FDIC.

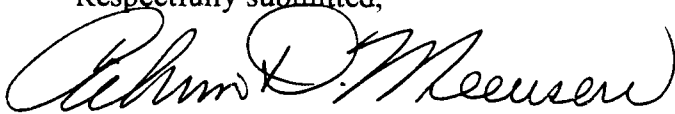
Monthly bank reconciliations should be compared to the corresponding general ledger cash balance and any differences investigated and corrected.

I wish to commend the management of the Township of Laketon for their efforts and cooperation in facilitating the implementation of the GASB 34 accounting pronouncement. This took effect on April 1, 2004 and the results are reflected in the accompanying financial statements and supplemental information for the year ended March 31, 2005.

In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same in the future.

All of the above comments and recommendations have been discussed with Township officials who have indicated to me that the Township will attempt to comply with them. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Calvin D. Meeusen". The signature is written in dark ink and is positioned above the printed name.

Calvin D. Meeusen, C.P.A.